



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CANTON PUBLIC SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2016**

CANTON PUBLIC SCHOOL DISTRICT

Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	14
Exhibit B – Statement of Activities	15
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	16
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	18
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	51
Budgetary Comparison Schedule – Title I-A Basic Fund	52
Budgetary Comparison Schedule – EEF Buildings and Buses Fund	53
Schedule Of The District's Proportionate Share Of The Net Pension Liability	54
Schedule Of District Contributions	55
Notes to Required Supplementary Information	56
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	58
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	59
Notes to Schedule of Expenditures of Federal Awards	60
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	62
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	63
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	65
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	67
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	73

INDEPENDENT AUDITORS' REPORT



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Canton Public School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the Canton Public School District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Subsequently Discovered Facts After the Release of the Report

As discussed in Note 18 of the notes to financial statements, management became aware of reporting discrepancies on the Schedule of Expenditures of Federal Awards reported with the financial statements originally issued on March 27, 2017. Three type B programs were omitted from the original schedule and one type B program was reported under the incorrect Catalog of Federal Domestic Assistance Number. There were also errors in the amounts reported as federal expenditures involving other programs on the schedule. Management's decision to correct this matter resulted in the reissuance of the auditors' report which is now dated August 24, 2017.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-12, 51-53, 54 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required Supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Canton Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2017, on our consideration of the Canton Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canton Public School District's internal control over financial reporting and compliance.

Watkins, Ward & Stafford, PLLC
Jackson, Mississippi

Watkins Ward and Stafford, PLLC

August 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The following discussion and analysis of Canton Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$3,754,474, including a prior period adjustment of \$2,419, which represents an 89% decrease from fiscal year 2015. Total net position for 2015 decreased \$29,348,283, including a prior period adjustment of (\$31,137,478) due primarily to the recording of the net pension liability, which represents a 117% decrease from fiscal year 2014.
- General revenues amounted to \$30,227,964 and \$25,810,042, or 80% and 79% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,720,823, or 20% of total revenues for 2016, and \$6,728,359, or 21% of total revenues for 2015.
- The District had \$41,705,680 and \$30,749,206 in expenses for fiscal years 2016 and 2015; only \$7,720,823 for 2016 and \$6,728,359 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$30,227,964 for 2016 were not adequate to provide for these programs. General revenues of \$25,810,042 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$26,705,773 in revenues and \$26,721,970 in expenditures for 2016, and \$23,931,885 in revenues and \$22,417,236 in expenditures in 2015. The General Fund's fund balance decreased by \$2,019,111 from 2015 to 2016, and increased by \$5,968,133 from 2014 to 2015, including the fund re-class of Sixteenth Section Interest Funds from Special Revenue Fund to General Fund in the amount of \$1,393,010 and a prior period adjustment of (\$1,041).
- Capital assets, net of accumulated depreciation, increased by \$2,115,703 for 2016 and decreased by \$893,397 for 2015. The increase for 2016 was due primarily to the ongoing construction of school facilities at fiscal year-end.
- Long-term debt decreased by \$1,901,995 for 2016 and increased by \$31,648,794 for 2015. The decrease for 2016 was due to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$7,772 for 2016 and decreased by \$62 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The Statement of Net Position presents information on all the District’s non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as “net position.” Over time, increases or decreases in the District’s net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District’s general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District’s near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District’s own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,986,229 as of June 30, 2016.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

**Table 1
Condensed Statement of Net Position**

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 13,702,280	\$ 10,799,792	26.88 %
Restricted assets	28,871,965	37,474,185	(22.96) %
Capital assets, net	48,758,686	46,642,983	4.54 %
Total assets	91,332,931	94,916,960	(3.78) %
Deferred outflows of resources	7,415,130	3,082,096	140.59 %
Current liabilities	3,531,632	2,340,383	50.90 %
Long-term debt outstanding	64,577,337	66,618,338	(3.06) %
Net pension liability	37,287,391	28,482,578	30.91 %
Total liabilities	105,396,360	97,441,299	8.16 %
Deferred inflows of resources	1,337,930	4,789,512	(72.07) %
Net position:			
Net investment in capital assets	14,376,185	16,007,670	(10.19) %
Restricted	4,141,691	3,457,880	19.78 %
Unrestricted	(26,504,105)	(23,697,305)	11.84 %
Total net position (deficit)	\$ (7,986,229)	\$ (4,231,755)	88.72 %

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (26,504,105)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	31,431,184

Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,927,079</u>
--	---------------------

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of \$2,115,703.
- The principal retirement of \$1,901,995 of long-term debt.
- Recognition of the net pension liability in the amount of \$37,287,391.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$37,948,787 and \$32,538,401, respectively. The total cost of all programs and services was \$41,705,680 for 2016 and \$30,749,206 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 495,958	\$ 449,869	10.24 %
Operating grants and contributions	7,224,865	6,278,490	15.07 %
General revenues:			
Property taxes	14,200,686	11,567,146	22.77 %
Grants and contributions not restricted	15,435,856	13,803,766	11.82 %
Investment earnings	152,192	66,628	128.42 %
Sixteenth section sources	220,146	179,073	22.94 %
Other	219,084	193,429	13.26 %
Total revenues	37,948,787	32,538,401	16.63 %
Expenses:			
Instruction	18,860,636	14,300,569	31.89 %
Support services	14,068,681	10,524,628	33.67 %
Non-instructional	2,510,660	2,375,746	5.68 %
Sixteenth section	41,655	35,642	16.87 %
Pension expense	3,540,036	1,691,333	109.30 %
Interest on long-term liabilities	2,684,012	1,821,288	47.37 %
Total expenses	41,705,680	30,749,206	35.63 %
Increase (Decrease) in net position	(3,756,893)	1,789,195	(309.98) %
Net Position, July 1, as previously reported	(4,231,755)	25,116,528	(116.85) %
Prior Period Adjustment	2,419	(31,137,478)	100.01 %
Net Position, July 1, as restated	(4,229,336)	(6,020,950)	29.76 %
Net Position, June 30	\$ (7,986,229)	\$ (4,231,755)	(88.72) %

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 18,860,636	\$ 14,300,569	31.89 %
Support services	14,068,681	10,524,628	33.67 %
Non-instructional	2,510,660	2,375,746	5.68 %
Sixteenth section	41,655	35,642	16.87 %
Pension Expense	3,540,036	1,691,333	109.30 %
Interest on long-term liabilities	2,684,012	1,821,288	47.37 %
Total expenses	\$ 41,705,680	\$ 30,749,206	35.63 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (16,350,911)	\$ (12,279,798)	(33.15) %
Support services	(11,977,600)	(8,650,628)	(38.46) %
Non-instructional	599,302	450,674	32.98 %
Sixteenth section	(31,600)	(28,474)	(10.98) %
Pension Expense	(3,540,036)	(1,691,333)	(109.30) %
Interest on long-term liabilities	(2,684,012)	(1,821,288)	(47.37) %
Total net (expense) revenue	\$ (33,984,857)	\$ (24,020,847)	(41.48) %

- Net cost of governmental activities (\$33,984,857 for 2016 and \$24,020,847 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$14,200,686 for 2016 and \$11,567,146 for 2015) and state and federal revenues (\$15,435,856 for 2016 and \$13,803,766 for 2015). In addition, there was \$220,146 and \$179,073 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$152,192 for 2016 and \$66,628 for 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

CANTON PUBLIC SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$39,412,921, a decrease of \$6,822,366, which includes a decrease in inventory of \$1,291. \$9,208,200, or 23% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$30,204,721, or 77% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,019,111. The fund balance of Other Governmental Funds showed an increase in the amount of \$563,564, which includes a decrease in inventory of \$1,291. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
EEF - Building and Buses Fund	\$ 188,862
Building Projects Fund	\$ (5,555,681)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$64,382,744, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$2,578,577 from 2015, due primarily to the ongoing construction of school facilities at fiscal year-end. Total accumulated depreciation as of June 30, 2016, was \$15,624,058, and total depreciation expense for the year was \$1,419,260, resulting in total net capital assets of \$48,758,686.

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 68,710	\$ 68,710	0.00 %
Construction in Progress	5,018,578	388,982	1,190.18 %
Buildings	39,452,474	40,958,537	(3.68) %
Building improvements	695,054	1,355,729	(48.73) %
Improvements other than buildings	2,728,562	2,892,158	(5.66) %
Mobile equipment	173,426	224,215	(22.65) %
Furniture and equipment	621,882	754,652	(17.59) %
Total	<u>\$ 48,758,686</u>	<u>\$ 46,642,983</u>	4.54 %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2016, the District had \$61,913,692 in outstanding long-term debt, of which \$2,181,807 is due within one year. During the fiscal year, the District made principal payments totaling \$1,901,995 on outstanding long-term debt. The liability for compensated absences increased \$7,772 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 39,150,000	\$ 40,505,000	(3.35) %
Certificates of participation payable	14,455,000	14,645,000	(1.30) %
Three mill notes payable	1,050,000	1,210,000	(13.22) %
Shortfall notes payable	135,655	332,650	(59.22) %
Qualified school construction bonds payable	7,000,000	7,000,000	0.00 %
Compensated absences payable	123,037	115,265	6.74 %
Total	<u>\$ 61,913,692</u>	<u>\$ 63,807,915</u>	(2.97) %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Canton Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state, and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Canton Public School District, 403 East Lincoln Street, Canton, MS 39046.

FINANCIAL STATEMENTS

CANTON PUBLIC SCHOOL DISTRICT

**Statement of Net Position
June 30, 2016**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,275,178
Due from other governments	1,389,508
Inventories	37,594
Restricted assets	28,871,965
Capital assets, non-depreciable:	
Land	68,710
Construction in progress	5,018,578
Capital assets, net of accumulated depreciation:	
Buildings	39,452,474
Building improvements	695,054
Improvements other than buildings	2,728,562
Mobile equipment	173,426
Furniture and equipment	621,882
Total Assets	<u>91,332,931</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	220,993
Deferred outflow related to pensions	<u>7,194,137</u>
Total Deferred Outflows of Resources	<u>7,415,130</u>
Liabilities	
Accounts payable and accrued liabilities	3,156,637
Unearned revenue	4,687
Interest payable on long-term liabilities	370,308
Long-term liabilities, due within one year:	
Capital related liabilities	2,040,000
Non-capital related liabilities	141,807
Long-term liabilities, due beyond one year:	
Capital related liabilities	55,448,481
Capital related bond premiums	2,663,645
Non-capital related liabilities	4,283,404
Net pension liability	<u>37,287,391</u>
Total Liabilities	<u>105,396,360</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	<u>1,337,930</u>
Total Deferred Inflows of Resources	<u>1,337,930</u>
Net Position	
Net investment in capital assets	14,376,185
Restricted for:	
Expendable:	
School-based activities	1,697,177
Debt service	1,953,585
Forestry improvements	63,737
Unemployment benefits	68,692
Non-expendable:	
Sixteenth section	358,500
Unrestricted	<u>(26,504,105)</u>
Total Net Position (deficit)	<u>\$ (7,986,229)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

CANTON PUBLIC SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 18,860,636	\$ 221,360	\$ 2,288,365	\$ -	\$ (16,350,911)
Support services	14,068,681	1,312	2,089,769	-	(11,977,600)
Non-instructional	2,510,660	263,231	2,846,731	-	599,302
Sixteenth section	41,655	10,055	-	-	(31,600)
Pension expense	3,540,036	-	-	-	(3,540,036)
Interest on long-term liabilities	2,684,012	-	-	-	(2,684,012)
Total Governmental Activities	<u>\$ 41,705,680</u>	<u>\$ 495,958</u>	<u>\$ 7,224,865</u>	<u>\$ -</u>	<u>\$ (33,984,857)</u>

General Revenues:

Taxes:

General purpose levies

11,143,900

Debt purpose levies

3,056,786

Unrestricted grants and contributions:

State

14,907,715

Federal

528,141

Unrestricted investment earnings

152,192

Sixteenth section sources

220,146

Other

219,084

Total General Revenues

30,227,964

Change in Net Position

(3,756,893)

Net Position - Beginning, as previously reported

(4,231,755)

Prior Period Adjustments

2,419

Net Position - Beginning, as restated

(4,229,336)

Net Position (deficit) - Ending

\$ (7,986,229)

The accompanying notes to financial statements are an integral part of these financial statements.

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	Major Funds						
	General Fund	Title I-A Basic Fund	EEF - Building and Buses Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds	
Assets							
Cash and cash equivalents	\$ 9,432,097	\$ 143,612	\$ 653,410	\$ 6	\$ 2,405,327	\$ 12,634,452	
Cash with fiscal agents	-	-	-	-	2,139,704	2,139,704	
Investments	-	-	-	26,372,987	-	26,372,987	
Due from other governments	556,312	310,646	9,144	-	513,406	1,389,508	
Due from other funds	920,487	-	-	-	-	920,487	
Inventories	-	-	-	-	37,594	37,594	
Total assets	<u>\$ 10,908,896</u>	<u>\$ 454,258</u>	<u>\$ 662,554</u>	<u>\$ 26,372,993</u>	<u>\$ 5,096,031</u>	<u>\$ 43,494,732</u>	
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 1,556,606	\$ 111,789	\$ 417,200	\$ 824,361	\$ 246,681	\$ 3,156,637	
Due to other funds	-	342,469	-	-	578,018	920,487	
Unavailable revenue - federal programs	-	-	-	-	4,687	4,687	
Total Liabilities	<u>1,556,606</u>	<u>454,258</u>	<u>417,200</u>	<u>824,361</u>	<u>829,386</u>	<u>4,081,811</u>	
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	37,594	37,594	
Permanent fund principal	-	-	-	-	358,500	358,500	
Restricted:							
Debt service	-	-	-	-	2,323,893	2,323,893	
Capital projects	-	-	-	25,548,632	-	25,548,632	
Forestry improvement purposes	-	-	-	-	63,737	63,737	
Grant activities	-	-	245,354	-	12,852	258,206	
Unemployment benefits	-	-	-	-	68,692	68,692	
Food service	-	-	-	-	1,400,603	1,400,603	
Sixteenth section	-	-	-	-	774	774	
Assigned:							
Activity funds	144,090	-	-	-	-	144,090	
Unassigned	<u>9,208,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,208,200</u>	
Total Fund Balances	<u>9,352,290</u>	<u>-</u>	<u>245,354</u>	<u>25,548,632</u>	<u>4,266,645</u>	<u>39,412,921</u>	
Total Liabilities and Fund Balances	<u>\$ 10,908,896</u>	<u>\$ 454,258</u>	<u>\$ 662,554</u>	<u>\$ 26,372,993</u>	<u>\$ 5,096,031</u>	<u>\$ 43,494,732</u>	

The accompanying notes to financial statements are an integral part of these financial statements.

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 39,412,921

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 68,710	
Construction in progress	5,018,578	
Buildings	49,658,564	
Building improvements	1,423,651	
Improvements other than buildings	4,089,901	
Mobile equipment	1,182,042	
Furniture and equipment	2,941,298	
Accumulated depreciation	<u>(15,624,058)</u>	48,758,686

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(37,287,391)	
-----------------------	--------------	--

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	7,194,137	
Deferred inflows of resources related to pensions	<u>(1,337,930)</u>	(31,431,184)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(39,150,000)	
Other bonds payable	(7,000,000)	
Notes payable	(1,185,655)	
Certificates of participation	(14,455,000)	
Compensated absences	(123,037)	
Unamortized charges	220,993	
Unamortized premiums	(2,663,645)	
Accrued interest payable	<u>(370,308)</u>	(64,726,652)

Net Position of governmental activities \$ (7,986,229)

The accompanying notes to financial statements are an integral part of these financial statements.

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Basic Fund	EEF - Building and Buses Fund	Building Projects Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 11,612,024	\$ -	\$ 446	\$ 70,288	\$ 3,360,653	\$ 15,043,411
Intermediate sources	9,272	-	-	-	-	9,272
State sources	14,640,362	-	103,889	-	894,759	15,639,010
Federal sources	221,003	1,623,511	-	-	5,177,198	7,021,712
Sixteenth section sources	223,112	-	-	-	10,958	234,070
Total Revenues	26,705,773	1,623,511	104,335	70,288	9,443,568	37,947,475
Expenditures:						
Instruction	16,793,416	872,962	-	-	1,693,379	19,359,757
Support services	9,881,354	483,119	417,200	891,498	1,821,122	13,494,293
Noninstructional services	9,500	11,825	-	-	2,497,476	2,518,801
Sixteenth section	37,700	-	-	-	3,955	41,655
Facilities acquisition and construction	-	-	-	4,734,471	-	4,734,471
Debt service:						
Principal	-	-	-	-	1,901,995	1,901,995
Interest	-	-	-	-	2,702,026	2,702,026
Other	-	-	-	-	16,864	16,864
Total Expenditures	26,721,970	1,367,906	417,200	5,625,969	10,636,817	44,769,862
Excess (Deficiency) of Revenues over (under) Expenditures	(16,197)	255,605	(312,865)	(5,555,681)	(1,193,249)	(6,822,387)
Other Financing Sources (Uses):						
Insurance recovery	1,312	-	-	-	-	1,312
Payments held by escrow agent	-	-	-	-	466,666	466,666
Payment to QSCB debt escrow agent	-	-	-	-	(466,666)	(466,666)
Operating transfers in	237,772	-	501,727	-	2,525,197	3,264,696
Operating transfers out	(2,241,998)	(255,605)	-	-	(767,093)	(3,264,696)
Total Other Financing Sources (Uses)	(2,002,914)	(255,605)	501,727	-	1,758,104	1,312
Net Change in Fund Balances	(2,019,111)	-	188,862	(5,555,681)	564,855	(6,821,075)
Fund Balances:						
July 1, 2015	11,371,401	-	56,492	31,104,313	3,703,081	46,235,287
Increase (Decrease) in inventory	-	-	-	-	(1,291)	(1,291)
June 30, 2016	\$ 9,352,290	\$ -	\$ 245,354	\$ 25,548,632	\$ 4,266,645	\$ 39,412,921

The accompanying notes to financial statements are an integral part of these financial statements.

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (6,821,075)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 4,792,809	
Depreciation expense	<u>(1,419,260)</u>	3,373,549

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (1,260,265)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	1,901,995	
Accrued interest payable	<u>(68,615)</u>	1,833,380

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(3,540,036)	
Recording of contributions made subsequent to the measurement date	<u>2,563,124</u>	(976,912)

5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(7,772)	
Change in inventory	(1,291)	
Amortization of deferred charges, premiums and discounts	<u>103,493</u>	<u>94,430</u>

Change in Net Position of governmental activities \$ (3,756,893)

The accompanying notes to financial statements are an integral part of these financial statements.

CANTON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 130,734
Total Assets	<u>\$ 130,734</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 96,803
Due to student clubs	<u>33,931</u>
Total Liabilities	<u>\$ 130,734</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Canton since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Canton Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I - A Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

EEF Building and Buses Fund - This special revenue fund accounts for revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972).

Building Projects Fund - This fund is used to account for the capital projects of the district. The acquisition and construction of new capital projects revenues and expenditures are reported in this fund.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Fund - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements.

Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash Equivalents and Investments

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources expense until then. The district has deferred outflows from advance refunding debt and pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an inflow of resources revenue until then. The district has a deferred inflow from pension.

See Note 16 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents, and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents, and Investments (Continued)

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,634,452 and \$130,734, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2016, none of the district's bank balance of \$14,053,069 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$2,139,704.

Investments

As of June 30, 2016, the district had the following investments:

Investment Type	Rating	Maturities (in years)	Fair Value
US Treasury Notes	AAA/Aaa	1-2 years	\$ 26,372,987
			<u>\$ 26,372,987</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2016:

US Treasury Notes of \$26,372,987 are valued using quoted market prices (Level 1 inputs)

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents, and Investments (Continued)

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 – Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I	\$ 342,469
	Other Governmental Funds	578,018
Total		<u>\$ 920,487</u>

The primary purpose of the interfund receivables and payables was to close out federal program fund as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I	\$ 63,500
	Other Governmental	174,272
Other Governmental	Title I	192,105
	General Fund	2,241,998
	Other Governmental	91,094
EEF-Building and Buses Fund	Other Governmental	501,727
Total		<u>\$ 3,264,696</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational expenditure transfers, the transfer of expendable sixteenth section sources, debt service transfers, and other routine operating transfers.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$359,274 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent Investments totaling \$26,372,987 of the Building Project Fund.

In addition, the restricted assets represent the cash with fiscal agents, totaling \$2,139,704 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund) and Bond Retirement Fund - Certificate of Participation.

Note 5 - Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 68,710	\$	\$	\$	68,710
Construction in progress	388,982	4,629,596			5,018,578
Total non-depreciable capital assets	457,692	4,629,596	-	-	5,087,288
<u>Depreciable capital assets:</u>					
Buildings	50,639,288	104,875	1,085,599		49,658,564
Building improvements	2,366,978		943,327		1,423,651
Improvements other than buildings	4,089,901				4,089,901
Mobile equipment	1,213,192		31,150		1,182,042
Furniture and equipment	3,037,116	58,338	230,233	76,077	2,941,298
Total depreciable capital assets	61,346,475	163,213	2,290,309	76,077	59,295,456
<u>Less accumulated depreciation for:</u>					
Buildings	9,680,751	962,238	436,899		10,206,090
Building improvements	1,011,249	56,946	339,598		728,597
Improvements other than buildings	1,197,743	163,596			1,361,339
Mobile equipment	988,977	47,674	28,035		1,008,616
Furniture and equipment	2,282,464	188,806	225,512	73,658	2,319,416
Total accumulated depreciation	15,161,184	1,419,260	1,030,044	73,658	15,624,058
Total depreciable capital assets, net	46,185,291	(1,256,047)	1,260,265	2,419	43,671,398
Governmental activities capital assets, net	\$ 46,642,983	\$ 3,373,549	\$ 1,260,265	\$ 2,419	\$ 48,758,686

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 1,163,971
Support services	175,519
Non-instructional	79,770
Total depreciation expense	\$ 1,419,260

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 5 - Capital Assets (Continued)

The following is a more detailed schedule of construction in progress:

Project	Contract Amount	Architect Fees (6%)	PY CIP	6/30/2016 CIP	Remaining Commitment
Canton Elementary	\$ 12,485,100	749,106	182,969	1,933,657	11,300,549
McNeil Elementary	11,535,100	692,106	182,590	2,059,543	10,167,663
9th Grade Academy	4,466,600	267,996	23,423	1,025,378	3,709,218
Total	<u>\$ 28,486,800</u>	<u>1,709,208</u>	<u>388,982</u>	<u>5,018,578</u>	<u>25,177,430</u>

Note 6 - Long-Term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. General obligation bonds payable	\$ 7,005,000		\$ 1,355,000	\$ 5,650,000	\$ 1,400,000
General obligation bonds payable - FY15 issue	33,500,000			33,500,000	-
Total general obligation bonds	40,505,000	-	1,355,000	39,150,000	1,400,000
B. Certificates of participation payable	14,645,000		190,000	14,455,000	480,000
C. Three mill notes payable	1,210,000		160,000	1,050,000	160,000
D. Shortfall notes payable	332,650		196,995	135,655	135,655
E. Qualified school construction bonds payable	7,000,000			7,000,000	-
F. Compensated absences payable	115,265	7,772		123,037	6,152
Total	<u>\$ 63,807,915</u>	<u>\$ 7,772</u>	<u>\$ 1,901,995</u>	<u>\$ 61,913,692</u>	<u>\$ 2,181,807</u>

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 6 - Long-Term Liabilities (Continued)

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General Obligation Refunding Bonds, Series 2010A	3.55%	02-23-10	12-01-16	\$ 715,000	\$ 120,000
2. General Obligation Refunding Bonds, Series 2012	2.0-2.5%	05-01-12	04-01-22	5,185,000	3,750,000
3. General Obligation Refunding Bonds, Series 2012B	1.0-2.25%	08-30-12	04-01-22	1,765,000	1,295,000
4. General Obligation Refunding Bonds, Series 2013	2.00%	05-30-13	04-01-17	1,880,000	485,000
5. General Obligation Bonds, Series 2015	4.0-5.0%	06-09-15	06-30-35	33,500,000	33,500,000
Total				\$ 43,045,000	\$ 39,150,000

1. General obligation refunding bonds issued on February 23, 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ 120,000	2,130	122,130

This debt will be retired from the Bond Issues Retirement Fund.

2. General obligation refunding bonds issued on May 1, 2012:

Year Ending June 30	Principal	Interest	Total
2017	\$ 590,000	83,125	673,125
2018	605,000	71,325	676,325
2019	615,000	59,227	674,227
2020	630,000	46,925	676,925
2021	650,000	32,750	682,750
2022	660,000	16,500	676,500
Total	\$ 3,750,000	309,852	4,059,852

This debt will be retired from the Bond Issues Retirement Fund.

3. General obligation refunding bonds issued on August 30, 2012:

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 6 - Long-Term Liabilities (Continued)

Year Ending June 30	Principal	Interest	Total
2017	\$ 205,000	24,887	229,887
2018	210,000	20,788	230,788
2019	215,000	17,637	232,637
2020	215,000	13,875	228,875
2021	220,000	9,575	229,575
2022	230,000	5,175	235,175
Total	<u>\$ 1,295,000</u>	<u>91,937</u>	<u>1,386,937</u>

This debt will be retired from the Bond Issues Retirement Fund.

4. General obligation refunding bonds issued on May 30, 2013:

Year Ending June 30	Principal	Interest	Total
2017	<u>\$ 485,000</u>	<u>9,700</u>	<u>494,700</u>

This debt will be retired from the Bond Issues Retirement Fund.

5. General obligation bonds issued on June 9, 2015:

Year Ending June 30	Principal	Interest	Total
2017	\$ 0	1,536,350	1,536,350
2018	910,000	1,518,150	2,428,150
2019	935,000	1,481,250	2,416,250
2020	995,000	1,437,675	2,432,675
2021	1,045,000	1,386,675	2,431,675
2022 - 2027	6,865,000	6,051,469	12,916,469
2028 - 2032	11,265,000	4,242,069	15,507,069
2033 - 2035	11,485,000	1,184,375	12,669,375
Total	<u>\$ 33,500,000</u>	<u>18,838,013</u>	<u>52,338,013</u>

This debt will be retired from the 2015 Bond Issue Retirement Fund

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 6 - Long-Term Liabilities (Continued)

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,400,000	1,656,192	3,056,192
2018	1,725,000	1,610,263	3,335,263
2019	1,765,000	1,558,114	3,323,114
2020	1,840,000	1,498,475	3,338,475
2021	1,915,000	1,429,000	3,344,000
2022 - 2027	7,755,000	6,073,144	13,828,144
2028 - 2032	11,265,000	4,242,069	15,507,069
2033 - 2035	11,485,000	1,184,375	12,669,375
Total	<u>\$ 39,150,000</u>	<u>19,251,632</u>	<u>58,401,632</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 12.76% of property assessments as of October 1, 2015.

B. Certificates of participation payable

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation, Series 2010	2.0-4.75%	09-15-10	09-01-30	<u>\$ 15,000,000</u>	<u>14,455,000</u>

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 6 - Long-Term Liabilities (Continued)

Year Ending June 30	Principal	Interest	Total
2017	\$ 480,000	616,390	1,096,390
2018	495,000	601,816	1,096,816
2019	510,000	585,475	1,095,475
2020	525,000	567,353	1,092,353
2021	545,000	546,938	1,091,938
2022 - 2026	5,055,000	2,218,325	7,273,325
2027 - 2031	6,845,000	843,006	7,688,006
Total	<u>\$ 14,455,000</u>	<u>5,979,303</u>	<u>20,434,303</u>

This debt will be retired from the Bond Retirement Fund – COPs.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Refunding Notes, Series 2011	2.0-3.125%	11-15-11	04-01-22	<u>\$ 1,660,000</u>	<u>1,050,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2017	\$ 160,000	30,088	190,088
2018	170,000	26,088	196,088
2019	175,000	21,837	196,837
2020	175,000	16,588	191,588
2021	180,000	11,338	191,338
2022	190,000	5,938	195,938
Total	<u>\$ 1,050,000</u>	<u>111,875</u>	<u>1,161,875</u>

This debt will be retired from the Three Mill Notes Retirement Fund.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 6 - Long-Term Liabilities (Continued)

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note, Series 2014	3.00%	06-30-14	06-30-17	\$ 395,049	135,655

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2017	\$ 135,655	4,126	139,781

This debt will be retired from the Shortfall Notes Retirement Fund.

E. Qualified school construction bonds payable

As more fully explained in Note 14 debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified School Construction Bonds, Series 2010	6.09%	01-06-11	01-07-26	\$ 3,000,000	3,000,000
2. Qualified School Construction Bonds, Series 2011	6.09%	11-08-11	11-08-26	4,000,000	4,000,000
Total				\$ 7,000,000	7,000,000

The following is a schedule by years of the total payments due on this debt:

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 6 - Long-Term Liabilities (Continued)

1. Qualified School Construction Bonds series 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$	182,700	182,700
2018		182,700	182,700
2019		182,700	182,700
2020		182,700	182,700
2021		182,700	182,700
2022 - 2026	3,000,000	913,500	3,913,500
Total	\$ 3,000,000	1,827,000	4,827,000

This debt will be retired from the QSCB Debt Retirement Fund.

2. Qualified School Construction Bonds series 2011:

Year Ending June 30	Principal	Interest	Total
2017	\$	243,600	243,600
2018		243,600	243,600
2019		243,600	243,600
2020		243,600	243,600
2021		243,600	243,600
2022 - 2026		1,218,000	1,218,000
2027	4,000,000	243,600	4,243,600
Total	\$ 4,000,000	2,679,600	6,679,600

This debt will be retired from the QSCB Debt Retirement Fund.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 6 - Long-Term Liabilities (Continued)

Total Qualified School Construction Bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$	426,300	426,300
2018		426,300	426,300
2019		426,300	426,300
2020		426,300	426,300
2021		426,300	426,300
2022 - 2026		2,131,500	2,131,500
2027	7,000,000	243,600	7,243,600
Total	\$ 7,000,000	4,506,600	11,506,600

F. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972).

Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating Leases:

The school district has several operating leases for the following:

1. Ricoh MP50002SP Copier
2. Postage Meter - Central Office

Lease expenditures for the year ended June 30, 2016, amounted to \$2,508.

Future lease payments for these leases are as follows:

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Year Ending		Amount
30-Jun		
2017	\$	2,028
2018		2,028
2019		1,183
Total	\$	5,239

Note 8 - Defined Benefit Pension Plan General

Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 8 - Defined Benefit Pension Plan General (Continued)

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015, and 2014 were \$2,563,124, \$2,373,498, and \$2,258,311, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school district reported a liability of \$37,287,391 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.241217 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.006564 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,540,036. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 8 - Defined Benefit Pension Plan General (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 858,326	\$
Net difference between projected and actual earnings on pension plan investments		914,858
Changes in assumption	3,212,182	
Changes in proportion and differences between District contributions and proportionate share of contributions		423,072
Difference between net impact of entries and calculated balance of net pension liability	560,505	
District contributions subsequent to the measurement date	2,563,124	
Total	\$ <u>7,194,137</u>	\$ <u>1,337,930</u>

\$2,563,124 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	(1,033,370)
2018		(1,050,498)
2019		(663,787)
2020		(545,428)
Total	\$	<u>(3,293,083)</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 8 - Defined Benefit Pension Plan General (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined

contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 49,148,198	\$ 37,287,391	\$ 27,445,140

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 9 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending	Amount
2017	\$ 23,514
2018	14,764
2019	14,764
2020	14,764
2021 - 2025	48,584
2026 - 2030	33,069
2031 - 2035	27,994
2036 - 2040	22,969
Thereafter	45,123
Total	\$ 245,545

Note 10 - Prior Period Adjustments

The district has a prior period adjustment of \$2,419 which is related to the correction of capital assets for furniture and equipment (cost and accumulated depreciation) for food service equipment that was purchased in a prior year.

Note 11 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 11 - Risk Management (Continued)

Under GASB Statement No 10, *Accounting and Financial Reporting for Risks Financing and Related Insurance Issues*, a liability for claims must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. As of the date of this audit report, there were no known claims above the amount of coverage purchased for risks of loss related to torts, theft of, damage to, and the destruction of assets, errors and omissions, injuries to employees, natural disasters at June 30, 2016, therefore no liability has been accrued at this time.

Note 12 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimately liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13 - Trust Certificates

A trust agreement dated September 15, 2010, was executed by and between the school district and Duncan-Williams, Inc., Memphis, Tennessee, as trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$15,000,000. The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-51, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 13 - Trust Certificates (Continued)

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 14 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$350,152.

Pursuant to Section 2.5 and Section 2.6 of the Investment Trust Agreement, the Trustee, which is Trustmark National Bank, applies for and receives the direct payment of 5.63% (equal to the tax credit rate) and invoices the Canton Public School District for the difference between the stated rate (6.09%) and the tax credit rate of 0.46%. According to the terms of the Investment Trust Agreement, these payments are to be made directly to the Trustee thereby reducing the amount of interest actually paid by the Canton Public School District.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2016 was \$2,139,704. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 14 - Qualified School Construction Bonds (Continued):

Qualified School Construction Bonds issued January 6, 2011:

Year Ending June 30	Amount
2017	\$ 200,000
2018	200,000
2019	200,000
2020	200,000
2021	200,000
2022 - 2026	1,000,000
Total	\$ <u>2,000,000</u>

Qualified School Construction Bonds issued November 8, 2011:

Year Ending June 30	Amount
2017	\$ 266,667
2018	266,667
2019	266,667
2020	266,667
2021	266,667
2022 - 2026	1,333,335
2027	266,667
Total	\$ <u>2,933,337</u>

Total Qualified School Construction Bonds sinking payments for all issues:

Year Ending June 30	Amount
2017	\$ 466,667
2018	466,667
2019	466,667
2020	466,667
2021	466,667
2022 - 2026	2,333,335
2027	266,667
Total	\$ <u>4,933,337</u>

**CANTON PUBLIC SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 15 - Insurance Loss Recoveries

The Canton Public School District received \$1,312 in insurance loss recoveries related to gym floor damage during the 2015 - 2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

Note 16 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$26,504,105) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,563,124 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$4,631,013 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$1,337,930 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Canton School District evaluated the activity of the district through August 24, 2017 the date the financial statements were available to be issued, and determined the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- The Board of Education has adopted a resolution to borrow \$2,000,000 in the form of General Obligation Certificates of Participation payable to assist in financing renovations and additions to existing school district buildings. This resolution was adopted at the May 9, 2017 board meeting. The new debt will be labeled as General Obligation Certificates of Participation (Canton Public School District Construction Project), Series 2017.

Note 18 – Subsequently Discovered Facts After the Release of the Report

Subsequent to the release of the auditors' report dated March 27, 2017, management became aware of reporting discrepancies on the Schedule of Expenditures of Federal Awards. Three type B programs were omitted from the original schedule and one type B program was reported under the incorrect Catalog of Federal Domestic Assistance Number. There were also errors in the amounts reported as federal expenditures involving other programs on the schedule. Management's decision to correct this matter resulted in the reissuance of the auditors' report which is now dated August 24, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
Revenues:					
Local sources	\$ 11,575,381	\$ 11,612,024	\$ 11,612,024	\$ 36,643	\$ -
Intermediate sources	-	9,272	9,272	9,272	-
State sources	14,661,377	14,640,362	14,640,362	(21,015)	-
Federal sources	195,962	232,740	221,003	36,778	(11,737)
Sixteenth section sources	178,000	223,112	223,112	45,112	-
Total Revenues	26,610,720	26,717,510	26,705,773	106,790	(11,737)
Expenditures:					
Instruction	18,203,750	16,803,416	16,793,416	1,400,334	10,000
Support services	10,309,465	9,891,354	9,881,354	418,111	10,000
Noninstructional services	10,875	9,500	9,500	1,375	-
Sixteenth section	64,628	37,700	37,700	26,928	-
Debt service:					
Interest	1,645	-	-	1,645	-
Total Expenditures	28,590,363	26,741,970	26,721,970	1,848,393	20,000
Excess (Deficiency) of Revenues over (under) Expenditures	(1,979,643)	(24,460)	(16,197)	1,955,183	8,263
Other Financing Sources (Uses):					
Insurance recovery	-	1,312	1,312	1,312	-
Operating transfers in	2,393,765	2,354,323	237,772	(39,442)	(2,116,551)
Operating transfers out	(4,458,227)	(4,358,549)	(2,241,998)	99,678	2,116,551
Total Other Financing Sources (Uses)	(2,064,462)	(2,002,914)	(2,002,914)	61,548	-
Net Change in Fund Balances	(4,044,105)	(2,027,374)	(2,019,111)	2,016,731	8,263
Fund Balances:					
July 1, 2015	11,319,545	11,371,401	11,371,401	51,856	-
June 30, 2016	\$ 7,275,440	\$ 9,344,027	\$ 9,352,290	\$ 2,068,587	\$ 8,263

The accompanying notes to required supplementary information are an integral part of this schedule.

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 497	\$ -	\$ 497	\$ (497)
Federal sources	2,041,652	1,817,361	1,623,511	(224,291)	(193,850)
Total Revenues	2,041,652	1,817,858	1,623,511	(223,794)	(194,347)
Expenditures:					
Instruction	1,128,465	952,704	872,962	175,761	79,742
Support services	622,104	510,839	483,119	111,265	27,720
Noninstructional services	28,381	24,972	11,825	3,409	13,147
Total Expenditures	1,778,950	1,488,515	1,367,906	290,435	120,609
Excess (Deficiency) of Revenues over (under) Expenditures	262,702	329,343	255,605	66,641	(73,738)
Other Financing Sources (Uses):					
Operating transfers out	(262,702)	(302,194)	(255,605)	(39,492)	46,589
Total Other Financing Sources (Uses)	(262,702)	(302,194)	(255,605)	(39,492)	46,589
Net Change in Fund Balances	-	27,149	-	27,149	(27,149)
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ 27,149	\$ -	\$ 27,149	\$ (27,149)

The accompanying notes to required supplementary information are an integral part of this schedule.

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
EEF - Building and Buses Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 200	\$ 446	\$ 446	\$ 246	\$ -
State sources	101,195	103,889	103,889	2,694	-
Total Revenues	101,395	104,335	104,335	2,940	-
Expenditures:					
Support services	-	417,200	417,200	(417,200)	-
Total Expenditures	-	417,200	417,200	(417,200)	-
Excess (Deficiency) of Revenues over (under) Expenditures	101,395	(312,865)	(312,865)	(414,260)	-
Other Financing Sources (Uses):					
Operating transfers in	-	501,727	501,727	501,727	-
Total Other Financing Sources (Uses)	-	501,727	501,727	501,727	-
Net Change in Fund Balances	101,395	188,862	188,862	87,467	-
Fund Balances:					
July 1, 2015	56,492	56,492	56,492	-	-
June 30, 2016	\$ 157,887	\$ 245,354	\$ 245,354	\$ 87,467	\$ -

The accompanying notes to required supplementary information are an integral part of this schedule.

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information
Schedule Of The District's Proportionate Share Of The Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	\$ 37,287,391	\$ 28,482,578
District's proportionate share of the net pension liability (asset)	0.2412%	0.2347%
District's covered-employee payroll	\$ 15,069,829	\$ 14,338,483
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	247.4308%	198.6443%
Plan fiduciary net position as a percentage of the total pension liability	61.7040%	67.2077%

The accompanying notes to required supplementary information are an integral part of this schedule.

The schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,563,124	\$ 2,373,498
Contribution in relation to the contractually required contribution	2,563,124	2,373,498
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
District's covered-employee payroll	16,273,803	15,069,829
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

The accompanying notes to required supplementary information are an integral part of this schedule.

The schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2016, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 677,979
National school lunch program	10.555	2,252,685
Summer food service program for children	10.559	42,271
Total child nutrition cluster		<u>2,972,935</u>
Fresh fruit and vegetable program	10.582	103,457
Total passed-through Mississippi Department of Education		<u>3,076,392</u>
Total U.S. Department of Agriculture		<u>3,076,392</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	43,015
Total U.S. Department of Defense		<u>43,015</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	135,112
Total Federal Communications Commission		<u>135,112</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,693,869
Career and technical education - basic grants to states	84.048	42,849
Twenty-first century community learning centers	84.287	407,294
English language acquisition state grants	84.365	17,518
Improving teacher quality-State Grants	84.367	413,140
Subtotal		<u>2,574,670</u>
Special education cluster:		
Special education - grants to states	84.027	787,256
Special education - preschool grants	84.173	12,237
Total special education cluster		<u>799,493</u>
Total passed-through Mississippi Department of Education		<u>3,374,163</u>
Passed-through Mississippi Department of Rehabilitation Services		
Rehabilitation services - vocational rehabilitation grants to states	84.126	22,405
Total passed-through Mississippi Department of Rehabilitation Services		<u>22,405</u>
Total U.S. Department of Education		<u>3,396,568</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	20,471
Total passed-through Mississippi Department of Education		<u>20,471</u>
Total U.S. Department of Health and Human Services		<u>20,471</u>
Total for All Federal Awards		<u><u>\$ 6,671,558</u></u>

The notes to schedule of expenditures of federal awards are an integral part of this schedule

CANTON PUBLIC SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 22,277,338	17,036,656	1,194,171	1,621,419	2,425,092
Other	22,492,524	6,178,939	392,003	35,503	15,886,079
Total	<u>\$ 44,769,862</u>	<u>23,215,595</u>	<u>1,586,174</u>	<u>1,656,922</u>	<u>18,311,171</u>
Total number of students *	<u>3,215</u>				
Cost per student	<u>\$ 13,925</u>	<u>7,221</u>	<u>493</u>	<u>515</u>	<u>5,696</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

CANTON PUBLIC SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of Canton Public School District under programs of the federal and state governments for the year ended June 30, 2016. The schedule presents only a selected portion of the operations of Canton Public School District and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

Note 2 – Basis of Accounting

The schedule is prepared on the same basis of accounting as Canton Public School District's financial statements. The District uses the current financial resource measurement focus and the modified accrual basis of accounting.

Note 3 – Program Costs

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

Note 4 – Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the district and reported under the National School Lunch Program CFDA # 10.555. The value of the commodities received during the fiscal year was \$166,050.

Note 5 – Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 11,612,024	\$ 10,383,108	\$ 7,896,855	\$ 7,628,296
Intermediate sources	9,272	-	-	-
State sources	14,640,362	13,153,317	12,767,686	12,615,828
Federal sources	221,003	210,117	255,482	538,927
Sixteenth section sources	223,112	185,343	-	-
Total Revenues	26,705,773	23,931,885	20,920,023	20,783,051
Expenditures:				
Instruction	16,793,416	12,467,754	11,549,093	11,754,867
Support services	9,881,354	9,126,221	8,640,882	8,638,028
Noninstructional services	9,500	10,750	750	8,400
Sixteenth section	37,700	30,707	-	-
Debt service:				
Principal	-	-	-	3,295
Interest	-	-	-	1,716
Other	-	781,804	-	-
Total Expenditures	26,721,970	22,417,236	20,190,725	20,406,306
Excess (Deficiency) of Revenues over (under) Expenditures	(16,197)	1,514,649	729,298	376,745
Other Financing Sources (Uses):				
Bonds and notes issued		4,166,519	395,049	190,375
Insurance recovery	1,312	9,462	61,573	4,184
Premiums on bonds and refunding bonds issued	-	781,804	-	-
Operating transfers in	237,772	325,917	698,863	179,255
Operating transfers out	(2,241,998)	(2,222,187)	(1,885,113)	(1,623,696)
Total Other Financing Sources (Uses)	(2,002,914)	3,061,515	(729,628)	(1,249,882)
Net Change in Fund Balances	(2,019,111)	4,576,164	(330)	(873,137)
Fund Balances:				
Beginning of period, as previously reported	11,371,401	5,403,268	5,352,578	6,227,577
Fund reclassification	-	1,393,010	-	-
Prior period adjustments	-	(1,041)	51,020	(1,862)
Beginning of period, as restated	11,371,401	6,795,237	5,403,598	6,225,715
End of Period	\$ 9,352,290	\$ 11,371,401	\$ 5,403,268	\$ 5,352,578

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 15,043,411	\$ 12,252,451	\$ 9,740,243	\$ 9,475,557
Intermediate sources	9,272	-	-	-
State sources	15,639,010	14,029,304	13,528,856	13,422,814
Federal sources	7,021,712	6,052,952	6,015,658	6,337,303
Sixteenth section sources	234,070	194,232	231,604	142,686
Total Revenues	37,947,475	32,528,939	29,516,361	29,378,360
Expenditures:				
Instruction	19,359,757	14,635,074	13,808,642	14,243,725
Support services	13,494,293	11,226,898	10,862,345	11,613,118
Noninstructional services	2,518,801	2,438,071	2,288,813	2,341,582
Sixteenth section	41,655	35,642	41,234	42,820
Facilities acquisition and construction	4,734,471	388,982	200,000	8,719,010
Debt service:				
Principal	1,901,995	1,851,206	1,686,568	1,398,295
Interest	2,702,026	1,090,631	950,160	991,131
Other	16,864	796,034	23,452	119,284
Total Expenditures	44,769,862	32,462,538	29,861,214	39,468,965
Excess (Deficiency) of Revenues over (under) Expenditures	(6,822,387)	66,401	(344,853)	(10,090,605)
Other Financing Sources (Uses):				
Bonds and notes issued	-	33,500,000	395,049	190,375
Insurance recovery	1,312	9,462	61,573	4,184
Refunding bonds issued	-	-	-	3,645,000
Payment to escrow agent	466,666	466,667	466,667	466,667
Premiums on bonds and refunding bonds issued	-	2,936,347	-	34,758
Payment to refunded bond escrow agent	-	-	-	(3,584,256)
Payment to QSCB debt escrow agent	(466,666)	(466,667)	(466,667)	(466,667)
Operating transfers in	3,264,696	2,837,644	2,867,741	2,416,353
Operating transfers out	(3,264,696)	(2,837,644)	(2,867,741)	(2,416,353)
Total Other Financing Sources (Uses)	1,312	36,445,809	456,622	290,061
Net Change in Fund Balances	(6,821,075)	36,512,210	111,769	(9,800,544)
Fund Balances:				
Beginning of period, as previously reported	46,235,287	9,716,199	9,706,480	19,504,600
Prior period adjustments	-	(1,041)	(104,966)	21,491
Beginning of period, as restated	46,235,287	9,715,158	9,601,514	19,526,091
Increase (Decrease) in reserve for inventory	(1,291)	7,919	2,916	(19,067)
End of Period	\$ 39,412,921	\$ 46,235,287	\$ 9,716,199	\$ 9,706,480

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Canton Public School District
Canton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canton Public School District, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise Canton Public School District's basic financial statements, and have issued our report thereon dated August 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Canton Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canton Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Canton Public School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canton Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward & Stafford PLLC
Jackson, Mississippi
August 24, 2017

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Superintendent and School Board
Canton Public School District
Canton, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Canton Public School District's compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Canton Public School District's major federal programs for the year ended June 30, 2016. Canton Public School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and terms and conditions of its federal awards.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Canton Public School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Canton Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Canton Public School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Canton Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Canton Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Canton Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Canton Public School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward & Stafford PLLC
Jackson, Mississippi
August 24, 2017

Watkins Ward and Stafford, PLLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND
REGULATIONS**



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Canton Public School District
Canton, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District as of and for the year ended June 30, 2016, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated August 24, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported a zero balance of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward & Stafford, PLLC
Jackson, Mississippi
August 24, 2017

Watkins Ward and Stafford, PLLC

CANTON PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| | |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| | |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| | |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| | |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| | |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553; 10.555; 10.559 | Child Nutrition Cluster |
| 84.173; 84.027 | Special Education Cluster |
| | |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| | |
| 9. Auditee qualified as low-risk auditee? | Yes |

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.